

DEPARTMENT OF FOOD AND AGRICULTURE**William (Bill) J. Lyons, Jr., Secretary**

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TO ALL DAIRY PRODUCERS:

In recent months, the Department has become aware through the audit process of a higher than usual number of producer payment violations of the Food and Agricultural Code (Code). In some instances, these violations have continued over a period of several months resulting in assessment of substantial interest and penalties against the processor involved.

This letter is to remind all producers, including producer-owned cooperatives, of the obligation you have to promptly notify the Department when a late payment or insufficient payment for milk occurs.

In some instances, processors violate the producer payment provisions of the Code because they pay for milk based upon the invoices received from the cooperative that supplied the milk. The processor assumes mistakenly that full payment of an invoice within a reasonable time complies with the Code. An invoice that is mailed late, or that contains errors in it, does not relieve the processor from the obligation to pay for milk in a proper and timely manner. Interest and penalties are assessed even though the cooperative contributes to the likelihood of a violation by billing incorrectly.

Under usual conditions, a producer that complies with the Code receives the interest assessed to the handler when the handler pays late, or pays an insufficient amount for milk received. However, when a producer (including a cooperative) fails to notify the Department of improper payments for milk, or causes the violation by repeatedly billing incorrectly, the Department will consider depositing the interest charged to the handler into the Milk Producers Security Trust Fund rather than paying it to the producer.

Please contact us at the number above if you have questions or need further information regarding this matter.

Sincerely,

Original signed by:

David K. Ikari, Chief
Dairy Marketing Branch